

## Message Text

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53

ACTION EB-06

INFO OCT-01 ARA-06 EUR-12 ISO-00 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02

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OPIC-03 LAB-01 SIL-01 AGR-05 SWF-01 PA-01 PRS-01

USIA-06 TAR-01 /088 W

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R 132320Z NOV 74

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 4798

INFO AMEMBASSY ASUNCION

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BRIDGETOWN

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY GUATEMALA

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY LIMA

AMEMBASSY LA PAZ

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SANTO DOMINGO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY MOSCOW

AMCONSUL CIUDAD JUAREZ

AMCONSUL GUADALAJARA

AMCONSUL HERMOSILLO

AMCONSUL MATAMOROS

AMCONSUL MAZATLAN

AMCONSUL MERIDA

AMCONSUL MONTERREY

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AMCONSUL NUEVO LAREDO

AMCONSUL TIJUANA

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E.O. 11652 N/A

TAGS: ETRD, EAGR, MX, XM

SUBJ: LATIN AMERICAN SUGAR CONSULTATIONS

REF: MEXICO 9562

1. SUMMARY: EMB ECON OFF CALLED NOVEMBER 13 ON LIC. FRANCISCO CANO ESCALANTE, EXECUTIVE DIRECTOR, NATIONAL SUGAR INDUSTRY COMMISSION, TO DISCUSS INTER ALIA LATIN AMERICAN SUGAR CONSULTATIONS TO TAKE PLACE LATER THIS MONTH IN MEXICO. DURING COURSE CONVERSATION SEVERAL INTERESTING POINTS WERE MADE BY MEXICAN OFFICIAL AS OUTLINED BELOW.

2. LA SUGAR CONSULTATIONS. AS REPORTED REFTEL, MEETINGS WILL TAKE PLACE DURING LAST WEEK NOVEMBER IN MEXICO. HOWEVER CANO ESCALANTE ADDED THAT FIRST SESSIONS WOULD BE HELD IN MEXICO CITY, WITH GROUP MOVING TO OTHER POINTS IN MEXICO, SUCH AS COZUMEL OR PUERTO VALLARTA. WHILE ALMOST 20 LA COUNTRIES WERE INVITED (ALL WHO PRODUCE SUGAR IN ANY QUANTITY), IT IS ANTICIPATED THAT ONLY A DOZEN OR SO OF THE PRINCIPAL PRODUCERS WILL ATTEND. THERE WILL BE NO REPEAT NO AGENDA AT THE MEETINGS, WHICH WILL CONCERN SUCH MATTERS AS EXCHANGE OF INFORMATION AND COOPERATION ON PRODUCTION, PRICES, AND WORLD MARKETING. MEETINGS, OF COURSE, JUST PRECEDE LONDON INTERNATIONAL CONFERENCE IN DECEMBER, AND HOPE IS THAT LA CONSENSUS ON ITEMS TO BE DISCUSSED THERE WILL EMERGE. CANO ESCALANTE NOTED THAT LA PRODUCERS ACCOUNT FOR 60 PERCENT OF INTERNATIONAL SUGAR SALES, AND THAT SUGAR COMPRISES SOME 15 PERCENT OF ALL LA EXPORTS. THUS IMPORTANCE OF SUGAR IN LA INTERNATIONAL TRADE POLICY CANNOT BE OVEREMPHASIZED, MEXICAN OFFICIAL ADDED.

3. OFFICIAL VISIT TO CUBA. CANO ESCALANTE HAD ONE OR TWO OBSERVATIONS TO MAKE CONCERNING HIS RECENT TRIP TO CUBA (PARA 3 REFTEL). HE OBSERVED THAT THE SUGAR REFINERIES WERE GENERALLY IN RATHER POOR CONDITION, AND DESCRIBED THE MORALE OF THE CANECUTTERS

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AND REFINERY WORKERS AS "LOW". THE SUGAR INDUSTRY SECTOR HAS BEEN UNDERFINANCED IN RECENT YEARS, HE BELIEVES, IN PART BECAUSE THE USSR HAS HELD CUBA TO ONEROUS FIVE-YEAR SUGAR SUPPLY CONTRACT IN FACE OF INCREASES IN WORLD SUGAR PRICES FROM ELEVEN TO ALMOST SIXTY CENTS PER POUND. CANO ESCALANTE BELIEVES THAT "STRONG" CUBAN DELEGATION TO LA PRODUCERS MEETING WILL SEEK WAYS TO USE MEETING TO PRESSURE SOVIETS TO READJUST CONTRACT PRICES, OR TO REDUCE CONTRACT QUANTITIES SO AS TO PERMIT CUBANS TO SELL ON

WORLD MARKET. MEXICAN OFFICIAL HAD LONG MEETING WITH PRESIDENT DORTICOS DURING VISIT, AND WAS IMPRESSED BY SUCH HIGH-LEVEL CUBAN INTEREST IN ASSOCIATING ITSELF WITH OTHER LA SUGAR PRODUCERS. CANO ESCALANTE, WHO DESCRIBES HIMSELF AS RATHER CONSERVATIVE BY STANDARDS PREVAILING WITHIN GOM OFFICIALDOM, SEES CUBAN INTEREST AS WEDGE BETWEEN FELLOW LATINOS AND SOVIETS. HIS FINAL COMMENT ON CUBAN SITUATION WAS THAT "MANY CUBANS ARE LEARNING THAT MAN CANNOT LIVE BY SPEECHES ALONE".

4. ELIMINATION OF U.S. QUOTAS FOR SUGAR. LIC. CANO ESCALANTE WAS OUTSPOKEN IN HIS CRITICISM OF THE ELIMINATION OF THE U.S. SUGAR QUOTA EFFECTIVE AT THE END OF THIS YEAR. HE BELIEVES THE MOVE TO HAVE BEEN SHORT-SIGHTED, AND HOPES THAT QUOTAS WILL BE REESTABLISHED IN THE FUTURE.

5. MEXICAN SUGAR PRODUCTION 1974-75. WHEN ASKED ABOUT PROSPECTS FOR SUGAR HARVEST DURING PRESENT SEASON (NOV. 1974-OCT. 1975), LIC. CANO ESCALANTE NOTED THAT WHILE IT WAS EARLY FOR AN EXACT ESTIMATE, HE BELIEVED THAT PRODUCTION WOULD BE BETWEEN 2.7 AND 2.9 MILLION TONS. THIS INCREASE OVER THE 1973-74 SEASON OF SOME 800,000 TONS, MORE OR LESS, WOULD JUST ABOUT COVER INCREASED DOMESTIC DEMAND, SO THE SUGAR EXPORT LEVEL FOR THE COMING YEAR SHOULD BE GENERALLY UNCHANGED, PERHAPS DECLINING BY 50-100,000 TONS. (COMMENT: IT SHOULD BE NOTED THAT IT IS IN THE GOM INTEREST TO DOWNPLAY PROSPECTS FOR ANY INCREASE IN SUGAR EXPORTS).

6. FINANCING NEEDS. LIC. CANO ESCALANTE DISCUSSED IN VERY GENERAL TERMS THE FINANCING NEEDS OF THE MEXICAN SUGAR INDUSTRY. EMBOFF NOTED THAT EXIMBANK AND OTHER FINANCING MIGHT WELL BE AVAILABLE FOR ANY U.S. EQUIPMENT FOR SUGAR INDUSTRY. MEXICAN OFFICIAL INDICATED THAT HE WOULD ASK FINANCIERA NACIONAL AZUCARERA (FINASA, SUGAR INDUSTRY BANK) TO CONTACT EMBOFF ON THIS MATTER.

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7. TIED EXPORT SALES. WHEN EMBOFF INQUIRED ABOUT RECENT SUGGESTION OF TRYING MEXICAN EXPORT SALES OF ITEMS IN GREAT DEMAND SUCH AS SUGAR TO OTHER HARDER-TO-SELL ITEMS (PARA 4 REFTTEL), CANO ESCALANTE LAUGHED AND SAID THAT SUGGESTION WAS PREPOSTEROUS, AND THAT HE COULDN'T IMAGINE WHY IT HAD BEEN MENTIONED PUBLICLY. BRANDIN

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## Message Attributes

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**Draft Date:** 13 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Enclosure:** n/a  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
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**Page Count:** 3  
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**Previous Handling Restrictions:** n/a  
**Reference:** MEXICO 9562  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** cunninfx  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 JUN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 JUN 2002 by boyleja>; APPROVED <17 MAR 2003 by cunninfx>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LATIN AMERICAN SUGAR CONSULTATIONS  
**TAGS:** ETRD, EAGR, MX, XM  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005